

# APARTMENT DIGEST

## 2015 CMHC Toronto GTA Rental Market

### Economic Indicators:

<b>Real GDP Growth</b> Q3 2015	2.3%
<b>Toronto Employment Growth</b> Oct 2015	4.5%
<b>Toronto Unemployment Rate</b> Oct 2015	7.1%
<b>Inflation</b> Oct 2015	1.0%
<b>Bank of Canada Overnight Rate</b> Nov 2015	0.5%
<b>Prime Rate</b> Nov 2015	2.7%
<b>5 Year Mortgage Rate Fixed</b> Nov 2015	4.6%

The primary rental market indicators in the Greater Toronto Area (GTA) showed only minor changes according to the October 2015 rental market survey. The average purpose-built apartment vacancy rate<sup>1</sup> remained at 1.6 per cent in 2015 from the previous year. The availability rate in the GTA2 (which captures the occupied units for which notice has been given in addition to vacant units) was also unchanged at 3.0 per cent.

The average increase in rent for a fixed sample 3 of two-bedroom units was 3.3 per cent in 2015, up from 2.7 per cent a year earlier. Demand for purpose-built rental accommodation held steady and limited growth in supply this year was enough to keep the market from tightening further. Encouraged by lower mortgage financing costs some households moved into homeownership, while most households likely stayed in rental due to declines in affordability because of significant increases in home prices.

Growth in economic fundamentals helped to shift rental demand to high-end segments of the market such as newer purpose-built structures and newly completed condominium rentals. In fact, structures built

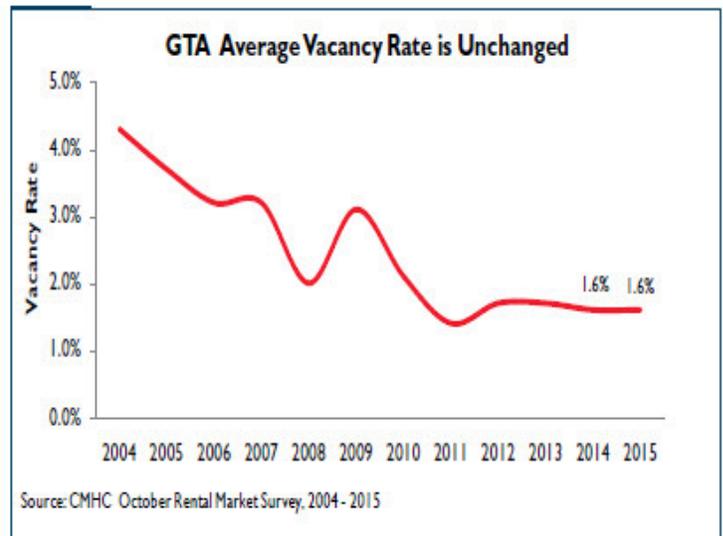
after 2005 saw their vacancy rate drop to 1.6 per cent in 2015, compared to 3.4 per cent last year. Stronger labour market conditions have kept household formation robust.

The unemployment rate in the Toronto Census Metropolitan Area (CMA) reached 7 per cent in the first three quarters of 2015, and was its lowest rate since 2009<sup>4</sup>. The average weekly earnings increased by 5 per cent over this same period, which was well above the general rate of inflation. However, net migration to Toronto CMA at roughly 54,000 last year, was the lowest annual increase in many years, and remained less supportive of rental demand.

Consistent with previous years, most of the growth in the GTA's rental housing stock came in the form of rented condominiums. The number of condominiums rented out grew to 105,317 units in 2015 from 92,257 units in 2014. This increase in supply was enough to nudge the condominium vacancy rate up to 1.8 per cent in 2015 from 1.3 per cent last year.

The overall demand for condominium rentals remained strong in the face of significant increases in its supply.

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## GTA Residential Housing Market – November 2015

December 3, 2015 -- Toronto Real Estate Board President Mark McLean announced that Greater Toronto Area REALTORS® reported 7,385 home sales through TREB's MLS® System in November 2015 – up by 14 per cent compared to November 2014. This result also represented the best result on record for the month of November. Sales through the first eleven months of 2015 amounted to 96,401.

"Not only did we see a record sales result for November, but with one month left to go in 2015, we have already set a new calendar year record for home sales in the TREB market area, eclipsing the previous record set in 2007. Sales were up on a

over-year basis for all major home types, both in the City of Toronto and surrounding regions. This suggests that the demand for ownership housing is widespread, from first-time buyers to long-time homeowners across the GTA," said Mr. McLean.

The MLS® Home Price Index (HPI) Composite Benchmark was up by 10.3 per cent year over year in November. The average selling price for all transactions was also up by a similar annual rate of 9.6 per cent to \$632,685. Annual rates of average price growth for November and the first eleven months of 2015 were similar, with the strongest rates of increase being reported for low-rise home types, including detached and semi-detached houses and townhouses.

"Demand for ownership housing has remained strong in the GTA throughout 2015, with sales generally increasing at a greater annual rate compared to new listings. This means that competition between buyers has strengthened in many neighbourhoods in the City of Toronto and surrounding regions. The end result has been upward pressure on home prices well above the rate of inflation in most cases," said Jason Mercer, TREB's Director of Market Analysis.

*Source: TREB*

## Strong Condo Sales in Q3 – Toronto GTA

October 17, 2015 -- Toronto Real Estate Board President Mark McLean announced strong year-over-year growth in condominium apartment sales reported through TREB's MLS® System in the third quarter of 2015. Sales were up by close to 11 per cent to 6,586 compared to Q3 2014. New listings entered into the System during the quarter and active listings at the end of the quarter were also up on an annual basis, but by a lesser rate compared to sales.

Annual growth in the average and median selling prices and the MLS® HPI Benchmark for apartments exceeded the annual rate

of inflation in the third quarter. For the TREB market area as a whole, the average selling price for condo apartments was up by 5.4 per cent yearover- year. The median selling price was up by 4.4 per cent. The MLS® HPI Benchmark for apartments was up by 5.6 per cent at the end of September.

"As the absorption rate for condos accelerated over the last year, tighter market conditions have resulted in sustained price growth," continued McLean.

"The condominium apartment market has certainly benefited from an increase in the supply of

listings over the past year. However, through the first three quarters of 2015, growth in sales has actually outstripped growth in listings. This suggests that there was a certain amount of pent-up demand for condominium apartments. As new projects have completed, investor-held units listed for sale have been absorbed very quickly by end users, to the point where price growth has remained strong," said Jason Mercer, TREB's Director of Market Analysis.

*Source: TREB*

## CMHC Rental Trends – cont'd page 1

The average rent for a two-bedroom apartment in structures that were common to both the 2014 and 2015 surveys increased by 3.3 per cent in the GTA, up from 2.7 per cent in October 2014. This acceleration was in part due to a higher allowable provincial guideline increase for 2015 (0.8 per cent in 2014 vs. 1.6 per cent in 2015). As well, a sizable increase in the average weekly paycheck in Toronto CMA10 this year likely increased the rent that tenants were willing to pay.

The gap between the guideline and the fixed sample increase points to a higher level of tenant turnover in 2015. An availability rate of 3.0 per cent combined with a low average vacancy rate of 1.6 per cent suggested that units rented easily without being vacant for too long. Thus, market rents were able to climb faster than the guideline for new tenants. On a sub-market basis, fixed sample rent increases ranged from a low of 1.7 per cent for the average two bedroom

apartment in Durham Region, to a high of 3.5 per cent in the City of Toronto.

Supply changes did not play a significant role in influencing primary rental market conditions in 2015. New purpose-built rental apartment completions in the Toronto CMA in 2015 remained on par with 2014.

Low vacancy rates and an aging rental stock have encouraged new investment in purpose-built rental units as evidenced by a boost in purpose-built rental starts recently. Over the past 10 years, the average annual rate of completion of purpose-built rental apartments was roughly 1,300 units while the average number of units under construction was around 2,500. Since the end of 2014, rental starts have increased and units under construction reached a 22-year high, at 4,168 units as of September 2015. As a result, more rental completions will ensue in the immediate future and add to the rental supply.

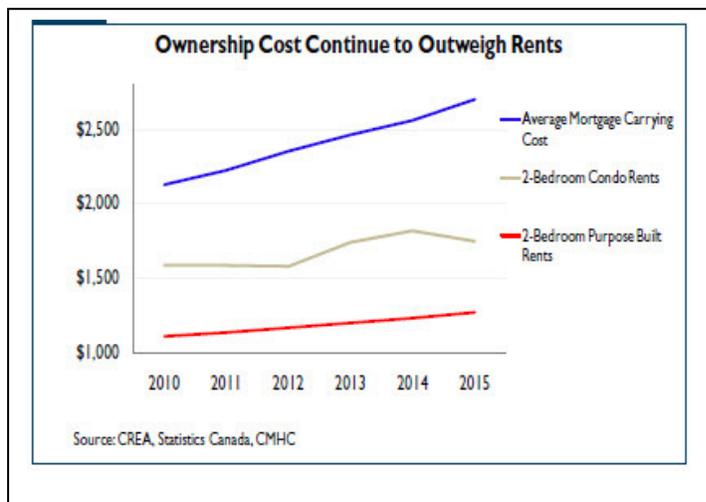
Young adults were a source of strength in the rental market over the past

few years. The millennial cohort, made up of people born from the early 1980s to the early 2000s represented almost 30 per cent of the GTA population (or close to two million people) in 2015. Furthermore, the older segment of this population that were in their mid-20s to mid-30s grew at a stronger pace compared to the general population in Toronto. They are now approaching the age when they start or advance in their careers, live on their own or start a family, and naturally have a great influence on both ownership and rental housing markets.

Rapidly rising house prices across the GTA prompted many potential first time homebuyers to delay entering into homeownership and either enter or remain in rental accommodation for longer. Despite the fact that mortgage rates were at record low levels, the cost gap between the average carrying cost and the average rent (for both primary and secondary rental units) in the GTA had widened further.

Some renter households also put their home purchasing decisions on hold until they built up sufficient down payments or improved their employment conditions. With more family households renting, demand for larger apartments rose in 2015. The vacancy rate was the lowest for three plus bedroom apartments, followed by two bedroom units in 2015.

Source: CMHC



## RECENT SALES GTA

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
<b>Starlight Portfolio GTA only</b>	544	\$85.3	\$156,655	NA
<b>77 Parkwoods Village North York</b>	85	\$13.4	\$157,650	NA
<b>3480 Havenwood &amp; 1485 Williamsport - Mississauga</b>	262	\$50.25	\$191,795	NA
<b>2 Blackthorn Avenue York</b>	22	\$4.675	\$212,500	NA
<b>10 Wycombe Road North York</b>	160	\$18.0	\$112,500	NA

*Source: Realtrack, CFAS*

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